



House of Representatives

General Assembly

File No. 454

February Session, 2016

Substitute House Bill No. 5045

House of Representatives, April 5, 2016

The Committee on Commerce reported through REP. PERONE of the 137th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING REVISIONS TO THE SMALL BUSINESS EXPRESS PROGRAM.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 32-7g of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2016*):

3 (a) There is established within the Department of Economic and
4 Community Development the Small Business Express program. Said
5 program shall provide small businesses with various forms of financial
6 assistance, using a streamlined application process to expedite the
7 delivery of such assistance. The Commissioner of Economic and
8 Community Development, at his or her discretion, may partner with
9 the lenders in the Connecticut Credit Consortium, established
10 pursuant to section 32-9yy, in order to fulfill the requirements of this
11 section. A small business eligible for assistance through said program
12 shall [, as of June 15, 2012,] (1) employ [, on at least fifty per cent of its
13 working days during the preceding twelve months,] not more than one
14 hundred employees, (2) have operations in Connecticut, (3) have been

15 registered to conduct business for not less than [twelve] six months,
16 and (4) be in good standing with the payment of all state and local
17 taxes and with all state agencies. A small business eligible for a loan
18 under subsection (d) or (e) of this section shall also demonstrate that it
19 has been denied a loan for a similar amount by a private sector lender.

20 (b) The Small Business Express program shall consist of various
21 components, including (1) a revolving loan fund, as described in
22 subsection (d) of this section, to support small business growth, (2) a
23 job creation incentive component, as described in subsection (e) of this
24 section, to support hiring, [and] (3) a matching grant component, as
25 described in subsection (f) of this section, to provide capital to small
26 businesses that can match the state grant amount, and (4) a fund
27 established in collaboration with private sector lenders doing business
28 in Connecticut, as described in subsection (g) of this section, to
29 encourage lending and provide small businesses in the state with
30 access to capital. The Commissioner of Economic and Community
31 Development shall work with eligible small business applicants to
32 provide a package of assistance using the financial assistance provided
33 by the Small Business Express program and may refer small business
34 applicants to the Subsidized Training and Employment program
35 established pursuant to section 31-3pp and any other appropriate state
36 program. Notwithstanding the provisions of section 32-5a regarding
37 relocation limits, the department may require, as a condition of
38 receiving financial assistance pursuant to this section, that a small
39 business receiving such assistance shall not relocate, as defined in
40 [said] section 32-5a, for five years after receiving such assistance or
41 during the term of the loan, whichever is longer. All other conditions
42 and penalties imposed pursuant to [said] section 32-5a shall continue
43 to apply to such small business.

44 (c) The commissioner shall establish a streamlined application
45 process for the Small Business Express program. The small business
46 applicant may receive assistance pursuant to said program not later
47 than thirty days after submitting a completed application to the
48 department. Any small business meeting the eligibility criteria in

49 subsection (a) of this section may apply to said program. The
50 commissioner shall give priority for available funding to small
51 businesses creating jobs and may give priority for available funding to
52 (1) economic base industries, as defined in subsection (d) of section 32-
53 222, including, but not limited to, those in the fields of precision
54 manufacturing, business services, green and sustainable technology,
55 bioscience and information technology, and (2) businesses attempting
56 to export their products or services to foreign markets.

57 (d) (1) There is established as part of the Small Business Express
58 program a revolving loan fund to provide loans to eligible small
59 businesses. Such loans shall be used for acquisition or purchase of
60 machinery and equipment, construction or leasehold improvements,
61 relocation expenses, working capital or other business-related
62 expenses, as authorized by the commissioner.

63 (2) Loans from the revolving loan fund may be in amounts from ten
64 thousand dollars to a maximum of one hundred thousand dollars,
65 shall carry a maximum repayment rate of four per cent and shall be for
66 a term of not more than ten years. The department shall review and
67 approve loan terms, conditions and collateral requirements in a
68 manner that prioritizes job growth and retention.

69 (3) Any eligible small business meeting the eligibility criteria in
70 subsection (a) of this section may apply for assistance from the
71 revolving loan fund, but the commissioner shall give priority to
72 applicants that, as part of their business plan, are creating new jobs
73 that will be maintained for not less than twelve consecutive months.

74 (e) (1) There is established as part of the Small Business Express
75 program a job creation incentive component to provide loans for job
76 creation to small businesses meeting the eligibility criteria in
77 subsection (a) of this section, with the option of loan forgiveness based
78 on the maintenance of an increased number of jobs for not less than
79 twelve consecutive months. Such loans may be used for training,
80 marketing, working capital or other expenses, as approved by the
81 commissioner, that support job creation.

82 (2) Loans under the job creation incentive component may be in
83 amounts from ten thousand dollars to a maximum of three hundred
84 thousand dollars, shall carry a maximum repayment rate of four per
85 cent and shall be for a term of not more than ten years. Payments on
86 such loans may be deferred, and all or part of such loan may be
87 forgiven, based upon the commissioner's assessment of the small
88 business's attainment of job creation goals. The department shall
89 review and approve loan terms, conditions and collateral requirements
90 in a manner that prioritizes job creation.

91 (f) (1) There is established as part of the Small Business Express
92 program a matching grant component to provide grants for capital to
93 small businesses meeting the eligibility criteria in subsection (a) of this
94 section. Such small businesses shall match any state funds awarded
95 under this program. Grant funds may be used for ongoing or new
96 training, working capital, acquisition or purchase of machinery and
97 equipment, construction or leasehold improvements, relocation within
98 the state or other business-related expenses authorized by the
99 commissioner.

100 (2) Matching grants provided under the matching grant component
101 may be in amounts from ten thousand dollars to a maximum of one
102 hundred thousand dollars. The commissioner shall prioritize
103 applicants for matching grants based upon the likelihood that such
104 grants will assist applicants in maintaining job growth.

105 (3) The commissioner may waive the matching requirement for
106 grants under this subsection for working capital to small businesses
107 located within distressed municipalities, as defined in section 32-9p.

108 (g) The commissioner, in collaboration with private sector lenders
109 doing business in Connecticut, shall establish as part of the Small
110 Business Express program a fund to encourage lending and provide
111 small businesses in the state with access to capital. Such capital shall be
112 used for acquisition or purchase of machinery and equipment,
113 construction or leasehold improvements, relocation expenses, working
114 capital or other business-related expenses, as authorized by the

115 commissioner. The provisions of subsections (d) and (e) of this section
116 shall not be construed to apply to such fund. Such fund shall be
117 administered by the Department of Economic and Community
118 Development. Notwithstanding the provisions of section 32-7h, the
119 commissioner shall allocate not more than ten per cent of available
120 funding under the Small Business Express program to such fund.

121 [(g)] (h) Not later than June 30, 2012, and every six months
122 thereafter, the commissioner shall provide a report, in accordance with
123 the provisions of section 11-4a, to the joint standing committees of the
124 General Assembly having cognizance of matters relating to finance,
125 revenue and bonding, appropriations, commerce and labor. Such
126 report shall include available data on (1) the number of small
127 businesses that applied to the Small Business Express program, (2) the
128 number of small businesses that received assistance under said
129 program and the general categories of such businesses, (3) the amounts
130 and types of assistance provided, (4) the total number of jobs on the
131 date of application and the number proposed to be created or retained,
132 and (5) the most recent employment figures of the small businesses
133 receiving assistance. The contents of such report shall also be included
134 in the department's annual report.

135 Sec. 2. (Effective July 1, 2016) Not later than October 1, 2016, the
136 Commissioner of Economic and Community Development shall
137 submit a report, in accordance with the provisions of section 11-4a of
138 the general statutes, to the joint standing committee of the General
139 Assembly having cognizance of matters relating to commerce. Such
140 report shall include: (1) A description of the fund established pursuant
141 to subsection (g) of section 32-7g of the general statutes, as amended
142 by this act; (2) the number of and extent to which private sector lenders
143 were consulted in the development of such fund; and (3) a description
144 of the commissioner's evaluation of potential forms of collaboration
145 with private sector lenders in such fund, including, but not limited to,
146 leveraged funds, loan guarantees, contract financing and bridge loans
147 and other short-term notes.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	<i>July 1, 2016</i>	32-7g
Sec. 2	<i>July 1, 2016</i>	New section

CE *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note**State Impact:**

Agency Affected	Fund-Effect	FY 17 \$	FY 18 \$
Treasurer, Debt Serv.	GF - Acceleration of Debt Service Costs	Potential	Potential

Note: GF=General Fund

Municipal Impact: None**Explanation**

The bill makes various changes to the Small Business Express (Express) program, including:

1. expanding eligibility;
2. requiring applicants to demonstrate rejection by private lenders for a loan of a similar amount;
3. establishing a fund in collaboration with private lenders to provide access to capital.

The bill however does not change General Obligation (GO) bond authorizations relevant to the program.

Future General Fund debt service costs may be incurred sooner under the bill to the degree that the bill causes authorized GO bond funds to be expended more rapidly than they otherwise would have been.

The Express program is funded through GO bond funds. The program has received \$310 million in bond authorizations since its

inception in 2011. As of March 31st, the unallocated bond balance available to the program is \$67.8 million.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sHB 5045*****AN ACT CONCERNING REVISIONS TO THE SMALL BUSINESS EXPRESS PROGRAM.*****SUMMARY:**

This bill modifies the eligibility requirements for Small Business Express (SBX) assistance (i.e., grants or loans) by doing the following:

1. limiting loan eligibility under SBX's revolving loan and job creation funds to businesses that demonstrate they have been denied a loan for a similar amount from a private lender;
2. extending eligibility for SBX assistance to businesses operating for at least six months, instead of at least 12 as required under current law; and
3. removing the requirement that businesses be at or below the employee threshold (100 employees) on at least 50% of its working days in the previous 12 months.

Under the bill, the Department of Economic and Community Development (DECD) must establish, in collaboration with private lenders doing business in Connecticut, an additional loan fund within SBX. DECD must report on the fund it establishes by October 1, 2016.

The bill also eliminates an obsolete reference to the date by which small business must meet criteria to initially qualify for assistance (June 15, 2012).

EFFECTIVE DATE: July 1, 2016

NEW LOAN FUND WITH PRIVATE LENDERS

The bill requires DECD to establish, in collaboration with private

Connecticut lenders, a new loan fund within SBX to encourage lending and provide businesses with access to capital. DECD must allocate up to 10% of available SBX funding to the new loan fund.

Under the bill, businesses may use loans from the fund for machinery and equipment purchase and acquisition, construction or leasehold improvements, relocation expenses, working capital, or other business-related expenses authorized by the DECD commissioner. The bill specifies that requirements (e.g., loan terms, amount limits, and job creation requirements) for SBX's revolving loan fund and job creation loan fund do not apply to this new fund. The bill does not specify any terms or limits on loan amounts for the new fund.

Report

By October 1, 2016, the bill requires DECD to report on the new loan fund to the Commerce Committee. The report must do the following:

1. describe the new fund established in accordance with the bill;
2. include the number of private lenders DECD consulted in developing the new fund and the extent to which they were consulted; and
3. describe the DECD commissioner's evaluation of potential forms of collaboration with private lenders in the fund, including leveraged funds, loan guarantees, contract financing, bridge loans, and other short-term notes.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 17 Nay 3 (03/17/2016)